

CC:96-45

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Universal Service Auction ex parte
March 19, 1997

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E l a A r e a P u b l i c L i b r a r y

March 27, 1997

FCC MAIL ROOM

Honorable Reed Hundt, Chairman
Federal Communications Commission
1919 M Street, NW - Room 844
Washington, DC 20554

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Dear Chairman Hundt:

RE: CC Docket 96-45-Universal Service to Libraries and Schools

The Ela Area Public Library District Trustees are writing in strong support of discounts for libraries and schools as envisioned by the Federal-State Joint Board in their Recommended Rules published last November.

The Recommended Rules allow libraries and schools significant discounts for telecommunications and critical, non-telecommunications services necessary to assure that all of our public libraries and schools are connected to the Internet and other on-line resources that are necessary in an increasingly information-driven world.

Congress passed the Telecommunications Act of 1996 with the clear intent of insuring that libraries and schools would be able to access the latest technology. By allowing significant discounts on telecommunications services, local wiring and Internet access, the Joint Board has accurately recognized the needs of schools and libraries that cannot afford the internal wiring necessary to connect with the Internet. By allowing telecommunications companies to compete for the discounts, the Joint Board has also recognized the need for diverse technologies to serve the urban and rural areas of the State.

Thank you for your attention to this important matter for our libraries and schools - and - ultimately for us all, as a better educated community benefits everyone.

Sincerely,

John Keister, President
Ela Area Public Library Board of Trustees

**The Children's
Partnership**

DIRECTORS

Wendy Lazarus
Laurie Lipper

March 27, 1997

Reed Hundt
Chairman
Federal Communication Commission
1919 M Street, N.W., Rm 814
Washington, D.C. 20554

RE: Support for the establishment of telecommunication discounts for
schools, libraries and rural centers

Dear Chairman Hundt:

The Telecommunications Act of 1996 and the consequent recommendations for implementation made by the FCC Federal-State Joint Board on Universal Service have provided the structure necessary for ensuring that all of our nation's children have access to the powerful new resources offered by the information age. Therefore, on May 8, as the full FCC votes on the Joint Board recommendations, we urge you to approve the establishment of telecommunication discounts for schools, libraries and rural centers.

We, at The Children's Partnership, a national nonprofit, nonpartisan organization whose mission is to inform leaders and the public about the needs of America's 70 million children, have long recognized the importance of the information revolution to the future and present lives of children.

Currently, The Children's Partnership is embarking on a three-year national effort to inspire parental involvement in new information technologies and guide parents toward the positive roles they can play. Through our work, we have witnessed first hand the vital role schools and libraries can play in ensuring all children have access to technology literacy. However, we have also seen the difficulty, if not inability, of many of these institutions to provide such access because of financial roadblocks. In fact, it has become clear to us that our work to provide outreach and education around the issue of parents and technology will ultimately only succeed if children and parents have the access to technology -- which can only be accomplished within a system of universal service.

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Angela Glover Blackwell
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James P. Steyer
Children Now

Arthur Ulene, MD
ACOR Programs, Inc.

Steven O. Weise
Heller, Ehrman,
White & McAllister

The Children's Partnership
FCC Support Letter
March 26, 1997


As such, we strongly urge the FCC to move this unique opportunity for children forward by:


- Establishing a discounted rate for telecommunication services by making schools, libraries and rural centers eligible for discounts ranging from 20 - 90%;
- Defining telecommunication services eligible for discounts to include Internet access, internal connections, installation and maintenance; and
- Ensuring that there is sufficient funding in the Universal Service Fund to support the discounts.

1997 marks a pivotal stage in the history of telecommunications. The decisions you make on May 8 will have long-term repercussions for children and for the economic and social viability of the nation for decades to come. We urge you to act upon this historic opportunity for children and communities by implementing the above recommendations.

We appreciate your consideration of this vital issue. Please do not hesitate to contact us with any questions you may have.

Sincerely,


Wendy Lazarus
Director


Laurie Lipper
Director

OC: 96-45

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summary: 3/26/97Universal Service Auctions *Ex Parte* Meeting
March 19, 1997

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Federal Communications Commission
Office of Secretary**Introduction**

The basic issue to be addressed is how we might use auctions to determine the subsidy levels and the carriers eligible to receive those subsidies to provide basic telephone service in high cost areas.

Proposals**GTE (Milgrom)**

- *What do parties bid on?* Per subscriber support payment with obligation to serve anyone requesting basic service in small (homogeneous) service area.
- *How are winners selected?* Sealed bid auction. Low bidder and other bidders within X% of low bid receive support.
- *How is the subsidy determined?* All supported firms receive a per subscriber subsidy equal to the highest accepted bid.
- *Other provisions.* Initial support level based on cost models. Both potential entrants and ILEC can nominate areas for auction. Allows for both increases and decreases in subsidy relative to cost model, with limits on increases. Provide temporary bonus for bidding zero. Lowest winning bidder on a specific service area has first option to withdraw bid.

Ameritech (Bulow and Nalebuff)

- *What do parties bid on?* A fixed-fee subsidy with obligation to serve any customer from the "COLR pool" that is randomly assigned to it. (Firms designate unprofitable customers into a COLR pool.) Share of COLR market assigned depends on number of COLRs. Divide obligation in same proportion as share of fixed fee.
- *How are winners selected?* Sealed bid auction. Lowest bidder wins. Second lowest bidder has option to match. (Can generalize to allow for more winners.)
- *How is the subsidy determined?* Total subsidy is lowest bid. Second lowest bidder has option to match and get fixed share of COLR market -- for example, winner gets 75% of subsidy in return for 75% of obligation and second lowest gets 25% of the COLR market and 25% of the fixed-fee subsidy.

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- *Other provisions.* COLRs permitted to trade customers in COLR pool.

Pros and Cons (auction mechanisms relative to pure cost model approach)

- *Minimize total subsidy payments.* Competition "for" the market is best way to find the minimum subsidy necessary to provide universal service at the benchmark prices in high cost areas. Unlike pure cost models, bids will account for profits from providing additional telecommunications services complementary to basic services offered as part of COLR obligation. On the other hand, there is a risk that in markets with limited competition that an auction mechanism without appropriate safeguards (*e.g.*, reservation prices and aggregate expenditure caps) may result in higher subsidy payments than under a pure cost model approach.
- *Promote competitive entry.* Competition "in" the market for consumers benefits consumers by driving down prices, increasing service quality and product variety. Auctions provide a method to raise subsidy payments the least amount necessary to induce additional entry. Cost models may set the subsidy level so low that no firm wishes to serve, and the pure cost model approach provides no way to put claims of inadequacy of support levels to an objective market test. On the other hand, a complex auction design with a time consuming implementation process has the potential to delay entry. Moreover, by bidding down subsidies, an auction can decrease the profits from entry and reduce entry relative to the level prevailing with a subsidy based on a generous cost model. Finally, if (contrary to initial evidence) there are strong cost synergies among adjacent service areas (the cost of serving a group is less than the sum of the cost of serving the areas individually), an inappropriately designed auction could discourage entry by creating excessive risk associated with failing to obtain subsidies in the entire region a new entrant wishes to serve.
- *Minimize cost of providing service.* An auction will select low cost providers and may be structured to allow policy makers to explicitly trade off the benefits of competition in the market with the cost of duplicating facilities and higher subsidy payments.

Issues in Designing any High Cost Support Mechanism (auctions or cost model)

- *Defining COLR obligations.*
- *Defining size of service areas.*
- *Pricing unbundled elements.*
- *Defining ILEC exit conditions.*
- *Defining form of subsidy payment (fixed vs. per subscriber).*
- *Enforcing COLR obligations.*

- *Divided jurisdictional responsibility.*
- *Heterogeneity of customers with respect to cost and demand.*
- *Cost synergies.*
- *Economies of density.*
- *Trade-off between number of competitors and total subsidy payments.*
- *Bias between supported and non-supported carriers.*
- *Likelihood of competitive entry.*

Auction Specific Issues

- *Auction design.*
- *Advantages to incumbents in bidding.*
- *Collusion in bidding.*

What Next?

- *Develop preferred auction mechanism(s).*
- *Evaluate best auction mechanisms relative to best alternatives.*
- *Implementation.* Assuming that the Commission finds merit in using competitive bidding to complement cost models in determining universal support levels, we must devise an implementation strategy. As with spectrum auctions, it would be best to introduce the program on a small scale and then expand based on experience. One possibility would be to provide states an incentive to experiment with auctions, perhaps a share of the reduced subsidy payments relative to the level projected under a pure cost model approach.

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NOTES FROM THE UNIVERSAL SERVICE AUCTION EX PARTE
HELD 3/19/97 1:30 - 5:00

Moderated by Evan Kwerel of OPP

Mr. Kwerel said he hoped the meeting would:

Identify areas of both agreement and disagreement. He said that the competitive bidding/auction process is complementary to the proxy models, not in place of them.

Important note: ALL parties on the panel (see attached list) agreed that the process must begin with proxy models and only then can auctions come into play.

There were three principal speakers.

(1) Paul Milgram - representing GTE. He made the following points:

- There must be a quid pro quo of support payments for obligation to serve.
- The service areas must be of a small size to avoid "cherry picking" and to allow for flexible business plans.
- Unbundled element pricing must be used.
- Need for ILEC exit conditions.
- There should be separate rules for IIECs and other entrants re: nominations to serve an area.
- The solution to the Optimal Auction problem is
 - sealed bid auction
 - low bidder receives support
 - "close enough" bidders also supported
 - support equals highest ACCEPTED bid.
- Bidding reduces subsidies by competing FOR the market. It benefits consumers by competing IN the market. Also encourages facilities-based entry.

(2) Barry Nalebuff - representing Ameritech. His points were:

- If there is only one LEC in a region, then the ideal subsidy would be per-subscriber. Provide incentive to serve entire market.
- A fixed-fee subsidy levels the playing field between carrier of last resort (COLR) and non-COLR providers. Fixed-fee divided among providers according to share of COLR market.
- Since COLRs do not have incentive to seek customers, regulatory oversight is still needed.
- Awarding multiple COLRs - for example winner gets 75% of subsidy in return for 75% of the obligation. Second highest bidder has option to match for the remaining 25%.

(3) Timothy J. Tardiff - representing U S WEST. His points were:

- Auctions need to approximate prices that would prevail under competition.

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- The primary reliance remains with models.
- Proposal:
 - Rebalance rates
 - Must have customer-specific subsidies
 - Subsidy level based on difference in benchmark price and market price. For example, if the benchmark investment was \$1,500 and the required investment was \$5,000, the investment subsidy would be \$3,500.
 - Funds are raised by taxing telecommunications carriers.
 - Funds are distributed to qualifying carriers, based on location-specific costs.
 - Conclusion: rebalance rates with targeted subsidies, use ILEC's forward-looking costs, legacy of inadequately depreciated assets should be recognized, and raising and distributing funds should be competitively neutral.

At end of meeting Mr.Kwerel asked for what outstanding issues could be resolved by more factual analysis. He received the following which were essentially agreed upon by a majority of the panelists:

- The heterogeneity of cost and demand whether to use a fixed-fee or a per-subscriber basis.
- The asymmetry of competition between ILECs and CLECs.
- A clear definition of what obligation a carrier has in order to get subsidy.

ATTENDEES:

Kathleen Abernathy - AirTouch
 Glenn Brown - U S WEST
 Anthony Bush - FCC-OGC
 Mark Bykowski - NTIA
 Barbara Cherry - Ameritech
 Richard Clarke - AT&T
 Astrid Carlson - FCC-CCB
 Bryan Clopton - FCC-CCB
 Peter Cramton - Univ. of Maryland
 Patrick DeGraba - FCC-CCB
 George Ford - MCI
 James Gattuso - CSE
 Charon Harris - GTE
 Micheal Katz - U.C. Berleley
 Evan Kwerel - FCC-OPP
 Wayne Leighton
 Elliot Maxwell - FCC-OPP
 Paul Milgram - Stanford Univ.
 David Moore - CBO
 Barry Nalebuff - Yale Univ.
 Robert Pepper - FCC-OPP
 Scott Randolph - GTE

Karen Rose - FCC-OPP
Gregory Rosston - FCC-OPP
William Sharkey - FCC-CCB
Thomas Spavins - FCC-OGC
Timothy Tardiff - NERA
Dennis Weller - GTE
Jonathan Cohen - FCC-WTB
Mark Lemler - AT&T
Rowland Curry - Texas PUC
Whitney Hatch - GTE
Bill Johnston - U S WEST
Lisa Gaigford - OMB
Marvin Bailey - Ameritech
Gail McGuire - Comm. Chong's office
David Abramson - 3Com Corp.
Jim McConnaughney - NTIA
John Williams - FCC-OPP
Rachel Forward - CBO
Karen Brinkman - FCC-WTB

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Competitive Bidding Meeting
March 19, 1997

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Federal Communications Commission
Office of Secretary

Evan Kwerel:

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The purpose of the meeting is to find the best way of using auctions for universal service. They don't want it to be a substitution to the cost model but a complement. They want to allow the possibility to have multiple providers.

Paul Milgrom, GTE:

Mr. Milgrom presented the auction proposal for universal service by GTE. He said that is not possible to have competition right away.

Structure of the auction: Consider what is served and the services offered.

Regarding the size of the service areas, GTE proposes that it should be small service areas to get homogeneity on the customers served. Also, small areas allows for flexible business plans.

Another important element is the resolution of pricing of unbundled elements. This do not help competition.

ILECs should be able to exit if another company offers a better price.

He considers the comparison of bids to important.

Process:

Cost Based Regulations.

Cost models may be adjusted for CBGs, it should be flexible.

The nomination process (nomination of areas for auction) should be every 6 months. ILECs can nominate if they consider the price of the service is too low. They need FCC approval.

Optimal Auction Plan:

Problems: Consumer benefit of competition
Cost of subsidies (keep subsidy prices low)

Sealed bid option - selection is variable.

Encourage facility based entry if close enough.

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Creating a rule to create Zero subsidy.

Withdrawal rule - take partial account.

Advantages of proposal: Competition for market.
 Reduces subsidy levels.

Cost Synergies: Seal bid auction.
 Let bidders take cost of synergies into account.

They created an index (formula).
They are including businesses that are adding high cost areas.

The indexes are very small (8.1%).

They can't account for CBGs dependencies.

Economies of Density: They are duplicated facilities, if the facilities are shared the economies of density will not be significant.

With Wireless: They couldn't share facilities, therefore, the economies of density are higher.

They allow for bid withdrawal if the economies of density are high.

They propose a second bid on the subsidiary level that they are willing to supply.

Their plan will increase competition and allows for entries.

Barry Nalibuff, Stanford University:

Nature of Subsidy:

The question is if it should it be: per subscriber
 fixed fee
 or a combination

How to provide subsidies for COLR customers: fixed fee
 or per customer subsidy (more incentive)

Problem: COLR provider competing against Non COLR provider.

Solution: Fixed fee (lowest fee wins).
No advantage or disadvantage for the Non COLR provider.

Issue: How to divide the fixed fee among people.
Solution: Proportional to the number of COLR customers served.

With fixed fee: No incentive to go to COLR customers because they prefer more profitable customers. No incentive to provide service to subsidy customers.

Multiple COLRS

Problem: How to give awards or incentive to customers.

The one that wins the bid can loss money if they are multiple COLRS.

His opinion of bid withdrawals: To much gaming.

Give incentives to promote low bids.

Second lowest bidders will have the option to match the best bid and take 25% of the market.

Two big issue:

1. Issue of subsidy: Fixed fee or by subscriber
2. Multiple COLRS

Small geographic areas help to the problems.

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FCC 43235-4604

State of Ohio



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Rehabilitation Services Commission

400 Campus View Boulevard, SW/3, Columbus, Ohio 43235-4604
PHONE/TTY: 614/438-1214 FAX: 614/438-1257

Robert L. Rabe, Administrator

March 24, 1997

William F. Canton, Acting Secretary
Federal Communications Commission
1919 M Street, NW
Washington, D.C. 20554

Dear Mr. Canton:

I have been made aware of Docket item 96-45 which would request the FCC to consider reductions to the long distance rates between an employer and a home based employee who is an individual with a severe disability. As Team Leader for the Planning, Development, Evaluation and Budget Unit of the Ohio Rehabilitation Services Commission (ORSC), I am most interested in this docket item and specifically the role that state vocational rehabilitation agencies, such as ORSC, would be asked to play in determining an individual's eligibility for such rate reductions.

I have received a recent communication asking that I contact you in support of this docket item; however, I do not feel well enough informed to make such a recommendation. Specifically, I am not sure of the process that the FCC uses to review such docket items. I am asking that you assist me to determine how to make myself and this agency better aware of your consideration of this and similar types of recommendations.

Beyond being unfamiliar with your process, I do have concerns about the information I received because it indicated that state vocational rehabilitation agencies would be asked to certify a person's status as both "low income" and "in need of" home-based employment. In Ohio, RSC does not require a financial statement from consumers of agency services and thus would not be able to readily document low income status. Further, many persons who have disabilities and are interested in home-based employment in Ohio may not be consumers of services from ORSC and thus certification could not be obtained through the state agency. Finally, we do not have a certification process for vendors approved to provide homebound training and so we could not distinguish which vendors would be part of the certification process recommended in docket item 96-45.

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...serving Ohioans with disabilities

The above comments do not negate the need for some persons with disabilities to access employment by providing the opportunity to work from home. Fragile medical conditions and a lack of accessible transportation are just two very important factors which might necessitate home based employment as a primary employment opportunity.

I would like very much to follow the process of this docket item. Please advise as to the best way for me to be informed of these discussions. I thank you in advance for your considerations.

Sincerely,

A handwritten signature in black ink that reads "John Connelly". The signature is written in a cursive, slightly slanted style.

John Connelly, Team Leader
Planning Development, Evaluation and Budget Team
Ohio Rehabilitation Services Commission

Norris File/Canton.doc

C: June Gutterman, Bureau Director;
William Casto, Bureau Director
Linda Wetters, Assistant Director
Richard Schuricht, Manager
Skip Bergquist, Program Specialist

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Friday, 28 March 1997

Office of the Secretary
1919 M Street, NW
Washington, D.C. 20554

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

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In the Matter of Docket No. 96-45 (Universal Service)

Dear Mr. Canton:

We understand that the Federal-State Joint Board on Universal Service has recommended that voice and data line charges incurred between the employee and the company be waived, with the service provider receiving support from universal service support mechanisms. The Blind computer user Network of Chicago is writing in response to your request for comments in the Notice for Proposed Rule making, FCC 96-45, in the above captioned proceeding.

The Blind Computer User Network is a consortium of blind and visually impaired people in the Chicago area who want to maintain up-to-date knowledge about computer technology. Network members pool knowledge and resources to help themselves and each other function at their best in this fast-moving electronic age.

They pursue technology-related activities that impact on the workplace, research, education and the job market. Network members meet to explore on-line information networks, hear about developments in the industry, examine new adaptations and test new software, exchange consultations and training at all levels of expertise, and repair and refurbish donated computer hardware.

The Chicago Blind computer User Network is affiliated with Blind Service Association, which is a "people-to-people," not-for-profit agency that supports the independence of blind and visually impaired Chicago area residents, and has done so for more than seven decades. Blind Service is supported solely by contributions from private individuals, foundations and corporations.

Eliminating telephone charges as an obstacle for telecommuting employment is an important step in assisting blind persons in obtaining and keeping jobs.

The Problem:

Nationally, unemployment among the blind exceeds 70 percent. The computer has opened up opportunities and employment possibilities that were previously not possible. Now blind persons can access all written information displayed on a computer screen through a braille display, text enlargement, or speech synthesis, which speaks all the material displayed. This access to information has now permitted blind persons to compete on terms of equality not available before. Further, this revolution in information access has open up new professions and fields essentially unavailable to the blind in the past. However, this access is moderated by the problem of not being able to drive to these jobs in suburbia. Employers are leaving the City of Chicago and moving to the suburbs, where access to public transportation is often difficult if not impossible to obtain. The biggest example is that of Sears, which moved from 50 floors in the Sears Tower to Hoffman estates--more than

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40 miles from downtown Chicago. Two of the world's leading corporations in information technology are in the Chicago suburbs and difficult to reach by mass transit. Skokie, Illinois based U. S. Robotics is the largest producer of modems. Schaumburg, Illinois based Motorola is a leading producer of pagers, semiconductors, and cellular telephones.

That is why we believe that the problem of blind persons and unemployment is based on a combination of factors that include societal attitudes and an urban environment that is designed for the automobile rather than the person, locking blind persons out of opportunities because they cannot travel to them.

Proposed Solution:

If the FCC were to rule that costs incurred for connecting a blind or homebound disabled individual to an employer via voice or data lines were covered under the Universal Service Fund, then employers, the blind, individuals with disabilities, and society as a whole would reap certain benefits. Such a ruling would reduce or remove the need for the government to provide public assistance benefits to those individuals affected, as they would be able to earn a living. Connecting blind persons to the workforce would also increase productivity, growth and competition within our economy.

This is not to imply that an FCC ruling would result in the immediate employment of thousands of blind individuals. The jobs must be available for that to take place, and the telecommuting movement is, at this point in time, still in its infancy. All indications are, however, that the number and variety of full-time telecommuting positions will grow. An FCC ruling is a signal to the private sector that there are no additional costs involved in seeking out homebound individuals to fill their telecommuting positions. As a few employers have already discovered, individuals with disabilities constitute an ideal workforce for companies looking for home based workers.

These jobs are valued. Turnover is lower, and the underutilized nature of the homebound disabled population means that it is often easier to find more motivated, better qualified applicants within this group than can be found within the general population.

A Proposal To The FCC:

Low-income Americans are among those for whom the FCC has pledged assurance that they will receive reasonably priced telephone service. Blind persons and homebound individuals with disabilities can easily fit within this low-income category. As described earlier, the labor department reports that blind persons have an unemployment or underemployment rate that exceeds 70 percent. Most of these individuals are living off Social Security or other forms of public assistance.

We propose that the FCC rule in the event that a particular person identifies himself as both low income and in need of home based employment, then an employer who hires such an individual would be able to apply to their long distance provider for a waiver for all voice and data line charges incurred in order to connect the homebound worker to the company. The service providers in turn, would be able to request reimbursement from the Universal Service Fund for these same costs.

These charges would include: long distance charges between employer and home-worker; local access charges; local measured service charges outside of a local calling area between the worker and employer; and the monthly maintenance expense of one, or even two, business lines into the home if such lines are required for the telecommuting connections to take place.

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We must depart substantially from the proposal submitted by the national telecommuting institute and the President's committee for the Employment of People with Disabilities. We do not believe that the FCC should mandate a role for sole reliance on rehabilitation counselors. We propose that blind persons and those with disabilities can demonstrate a low income status by providing a statement of benefits from the Social Security Administration or a copy of the most recent tax return. We also propose that a blind person or an individual with a disability can utilize the services of a licensed medical doctor to certify that the individual's disability presents barriers to travel and can benefit from home-based work. These methods for identifying need and benefit are options in addition to the proposal of certification by a rehabilitation counselor.

It is the experience by the vast majority of our members that rehabilitation counselors have low expectations of the blind, lack specific knowledge of our competency, and often prevent blind persons from attaining meaningful employment outcomes. We recognize that oversight must occur and mechanisms should be in place for fraud and abuse to be minimized. However, the commission should consider the history between people with disabilities and the rehabilitation profession and issues of disability culture before permitting that only one entity can make such employment related decisions. We encourage the commission to develop mechanisms like those described above that would allow a person with a disability and his potential employer to establish and set up this accommodation in the most efficient and autonomous manner possible.

The commission should also take note of the bias of one of the filers on this issue. The National Telecommuting Institute works primarily with rehabilitation counselors and state vocational rehabilitation agencies, rather than individuals with disabilities themselves. We believe that this bias inclines NTI to force rehabilitation counselors into the private employer-employee relationship even if the person with a disability does not want the services or assistance of a rehabilitation professional.

Should training via the telephone be necessary to prepare a blind person or travel-limited person with a disability for a telecommuting position, then it is further proposed that the cost of connecting the homebound trainee to the trainer via the telephone lines also be covered by the Universal Service Fund. Only training institutions accredited by regional or national accreditation organizations and approved by the U. S. department of Education should be eligible to provide training under this program. These institutions would apply to their long distance service provider for a waiver of connection charges between the instructor and the certified trainee. The long distance provider would, in turn, submit their request for reimbursement to the Universal Service Fund.

Our proposal differs dramatically from the proposal submitted by the National Telecommuting Institute and the President's Committee on the Employment of People with Disabilities on this topic. It is the experience of our members, more than 150 blind computer users in the Chicago area, that training institutions that are authorized or promoted by state rehabilitation agencies are segregated, slow to provide service with poorly trained staff with low expectations about the ability of blind persons and the technology that is used. Typically, people are steered to agencies for the blind with staffs that have little understanding of the competencies or skills needed for mainstream, competitive employment settings. Consequently, the training is inferior and inadequate for the person with a disability. Homebound persons with disabilities should be able to choose between local community colleges, regional state universities, and private organizations, some of which may not be on a referral list of a state rehabilitation agency. Further, some states, such as Illinois and Wisconsin, require the person with a disability to prove that a training institution out-of-state is far superior to that of an instate institution before training can be approved at the out-of-state institution. Policies and practices such as these negate the advantages that training through telecommunications services offer: principally, the ability to select the best training regardless of geography. When geography does matter, such as requiring telecommuting students to make some visits to a campus for testing or in-depth seminars or instruction, travel limited people with disabilities on border communities are disadvantaged. We have enclosed the Illinois regulation. We believe

that restrictive policies such as this decrease the likelihood that a homebound individual with a disability would receive adequate training for a telecommuting position.

Further, training programs for the blind and disabled promoted by state vocational rehabilitation agencies often are able to avoid the scrutiny and expectation for quality that is realized in many mainstream programs. This is because that the persons who advise state rehabilitation agencies on how training funds should be allocated to benefit people with disabilities are the main beneficiaries of that spending. For example, Joe Mileczarek, the director of the Visually Impaired Program at North Central College in Wausau, Wisconsin is the Chairman of Wisconsin's Governor's Committee for People with Disabilities. The program trains blind adults to adjust to their blindness through vocational skills such as braille and travel.

We accept the need to minimize fraud and abuse and ensure that at least minimally qualified persons be eligible for this program. However, we urge the commission to use mechanisms that build upon already established means in identifying legitimate educational institutions. For example the commission could allow persons to use schools that receive federal financial aid in addition to those utilized by the state rehabilitation agency. This would meet the needs of simplifying the process, minimizing fraud and abuse, and allow people with disabilities maximum independence and choice in choosing training that meets their needs.

Finally, while we support the proposed rule, we remain concerned about the long-term effects of such a policy. We recognize that the transportation priorities of the nation are heightening the emphasis on road construction and the automobile and funding shared transportation services less and less. We have witnessed the trend here in Chicago where the Northeast Illinois Planning Commission reported in 1992 that the developed area in the region expanded by 55 percent between 1970 and 1990 while the population grew by only four percent. The newly developed area is where the new jobs are--nearly unreachable for those who don't drive. At the same time, we remain concerned that blind persons and those with disabilities will be encouraged and steered to work at home rather than in the office setting with other employees. We fear that the subsidy might be an incentive for employers with stereotypical attitudes about disability to engage in this kind of behavior. Further, the highly sought after "soft skills" sought by today's employers are developed and refined by working in close physical proximity with other workers. However, we believe that such behavior will not serve the productivity needs of employers in the long run. Further, we forecast that transportation options to the new jobs being created in today's economy will continue to constrict. That is why we make this proposal to the commission and urge it to consider blind persons as homebound individuals with disabilities.

Kelly Pierce
Chicago Blind Computer User Network

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SUBPART C: TRAINING AND RELATED SERVICES

Section 590.250 Choice of Training Facility/Institution

- a) To the maximum extent possible, the customer shall have the choice of the training facility/institution he/she will attend in completion of his/her IWRP (89 Ill. Adm. Code 572). However, facilities within the State of Illinois shall be given preference and State operated institutions of higher education shall be given preference over private and out-of-state institutions.
- b) Although in-state, State operated facilities and local community college must be given preference, a customer's choice to attend a private or out-of-state facility/institution may be approved if:
 - 1) there is no comparable training at a State operated facility, in-state facility, or the customer's local community college as verified by the counselor based on information regarding curriculum, recommendation of colleagues, and past experience with facilities/institutions offering training in the area of the customer's employment objective;
 - 2) the cost of the training at the private or out-of-state facility/institution is less than that of the same or similar training at a State operated facility/institution, in-state facility/institution or local community college;
 - 3) because of the customer's particular impediments to employment, no State operated facility/institution, in-state facility/institution or the local community college is accessible for the customer. Whether an in-state facility's/institution's training is accessible to the customer shall be determined by the counselor based on information regarding curriculum, recommendations of colleagues and past experience with facilities/institutions offering training in the area of the customer's employment objective.

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89 ILLINOIS ADMINISTRATIVE CODE CH. IV, § 590.250

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- c) If none of the circumstances listed in Section 590.250 (b) above is met, DORS shall only authorize the total cost of tuition, fees and maintenance up to the cost of attending the most expensive state operated facility (89 Ill. Adm. Code 590, Subpart J), less scholarships, other comparable benefits (89 Ill. Adm. Code 567) and required customer financial participation (89 Ill. Adm. Code 562). If one or more of the criteria is met, DORS may authorize up to the total cost of the training, less scholarship, comparable benefits and customer financial participation.

(Source: Amended at 19 Ill. Reg. 10153, effective June 29, 1995)

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March 26, 1997


Office of the Secretary
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

Dear Sir:

At the suggestion of Charles Keller of the FCC Universal Service Branch, I am sending a letter in response to a conference call of January 22 (beginning at 10:00 a.m. Eastern and concluding at about 11:15 a.m.) to brief staff members of the State-Federal Joint Board on Universal Service on our paper "Assessing the Impact of FCC Lifeline and Link-Up Programs on Telephone Penetration" (Journal of Regulatory Economics (JRE) Vol. 11, pp. 67-78, January, 1997). Call participants: Christopher Garbacz (MS PUC Staff), Herbert G. Thompson, Jr. (Christensen Associates) co-authors; Terry Monroe (NY DPS), Michael McRae (DC OPC), Alexander Belinfante (FCC), Emily Hoffnar (FCC), Lori Wright (FCC), Chuck Keller (FCC).

Dr. Garbacz, my co-author of this paper, sent to you on February 13, 1997, a letter and supporting material which summarized the contents of the above-mentioned conference call and addressed several of the issues raised. I wish to inform you that I participated in the construction of that letter and support materials and concur fully with the summaries and conclusions contained therein.

Sincerely,



Herbert G. Thompson, Jr., Ph.D.

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